

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

Senate Bill 697 (Senator Pipkin, *et al.*)
 Budget and Taxation

Department of Transportation - Office of the Inspector General

This bill establishes an Office of the Inspector General within the Maryland Department of Transportation (MDOT). The Office of the Attorney General (OAG) must hire and appoint the Inspector General. The Inspector General is subject to the joint authority of OAG and MDOT. The bill outlines various requirements for and the authority of the Inspector General.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase by at least \$260,300 in FY 2013 to establish and staff the newly created Office of the Inspector General. Future year expenditures reflect annualization and inflation. Revenues are not anticipated to be materially affected, despite the bill’s cost recovery provisions, since audits of MDOT are already conducted.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	260,300	326,300	348,100	364,000	380,700
Net Effect	(\$260,300)	(\$326,300)	(\$348,100)	(\$364,000)	(\$380,700)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The Inspector General (1) may investigate fraud, waste, and abuse of MDOT funds; (2) must coordinate investigative efforts within MDOT and cooperate with investigations by other units of State government or federal agencies and refer matters, if warranted, to appropriate State or federal enforcement officials; and (3) must take steps to ensure that a person subject to MDOT's jurisdiction is not subject to duplicative audits.

The Inspector General, in collaboration with the appropriate MDOT authority, may recover (1) funds mistakenly or fraudulently paid by or obtained from MDOT or a person subject to MDOT's jurisdiction; and (2) any costs incurred in recovering those funds.

Current Law/Background: There is no State Office of the Inspector General, although some State agencies, including the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Public Safety and Correctional Services, have Inspectors General. Some local jurisdictions, including Montgomery County and Baltimore City, also have Inspectors General.

Inspectors General are common at the federal level, although they are appointed and not elected. According to the Council of the Inspectors General on Integrity and Efficiency, there are 73 offices of Inspector General in federal cabinets and agencies provided in statute. The Inspector General Act of 1978, as amended by the Inspector General Reform Act of 2008, sets forth the following missions of Inspectors General: (1) conduct independent and objective audits, investigations, and inspections; (2) prevent and detect waste, fraud, and abuse; (3) promote economy, effectiveness, and efficiency; (4) review pending legislation and regulation; and (5) keep the agency director and the U.S. Congress fully and currently informed.

Inspectors General at the federal level are appointed without regard to their political affiliation. The president nominates Inspectors General at cabinet-level departments and major agencies, subject to senate confirmation. These Inspectors General may only be removed by the president. Agency directors may appoint and remove Inspectors General at other designated entities. Both houses of Congress must be notified if an Inspector General is removed in either case. Although Inspectors General are under the general supervision of an agency director or deputy, neither a director nor a deputy may prevent or prohibit an Inspector General from conducting an audit or investigation. Inspectors General are authorized to (1) have direct access to all records and information of the agency; (2) have access to the agency directors; (3) conduct such investigations and issue such reports as are deemed appropriate; (4) issue subpoenas for information and documents outside the agency; (5) administer oaths for taking testimony; and (6) hire and control their own staff and resources.

State Expenditures: TTF expenditures increase by at least \$260,252 in fiscal 2013, which accounts for the bill's October 1, 2012 effective date. This estimate reflects the cost of hiring an Inspector General, two auditors, and an administrative assistant to carry out the functions of the office – the minimum viable staffing for the new office. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salaries and Fringe Benefits	\$233,527
Operating Expenses and Equipment	<u>26,725</u>
Total Fiscal 2013 State Expenditures	\$260,252

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

This analysis assumes that OAG can hire and appoint the Inspector General with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2012
mm/lgc

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